

HEALTH EDUCATION ASSISTANCE LOAN (HEAL) PROGRAM

(Authorized by Sections 701-720 of the Public Health Service Act)

From fiscal year 1978 through fiscal year 1998, the Health Education Assistance Loan (HEAL) Program insured loans made by participating lenders to eligible graduate students in schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, public health, pharmacy, chiropractic, or in programs in health administration and clinical psychology. It is no longer possible to obtain a new HEAL Program loan. The making of new HEAL Program loans was discontinued on September 30, 1998.

On July 1, 2014, the HEAL Program was transferred from the U.S. Department of Health and Human Services to the U.S. Department of Education.

INTEREST

Legislation states that the maximum interest which may be charged to the borrower on the unpaid balance of the loan may not exceed the average bond-equivalent rate during the prior calendar quarter for 91-day Treasury bills sold at auction, plus three percent, rounded to the next higher 1/8 of one percent. Payment of principal and interest may be deferred during specific eligible periods of deferment. The HEAL Program does not provide a subsidy payment for interest. Accrued interest may be compounded not more frequently than annually by adding it to the principal amount of the loan.

REPAYMENT

Repayment begins the first day of the 10th month after the month the borrower ceases to be a full-time student at a HEAL school. The 9-month period before the repayment period begins is called the "grace period." However, if the borrower becomes an intern or resident in an accredited program within 9 full months after leaving school, repayment will begin the first day of the 10th month after the borrower ceases to be an intern or a resident. A borrower has from 10 to 25 years to repay the loan after the repayment period starts even when the borrower participates in an authorized deferment program. There is no penalty for prepayment. Overdue accounts will be aggressively pursued and referred to collection agencies and credit bureaus or for legal action when borrowers fail to meet the terms of their loans.

Repayment schedule provisions may vary and affect the total amount to be repaid.

- Lenders and lender servicers **must** offer a graduated repayment option to borrowers who require smaller payments early in the repayment period.
- Lenders and lender servicers **must** offer an income contingent loan repayment schedule that, during the first 5 years of repayment is based on a borrower's income.

FORBEARANCE

Forbearance is an extension of time for making loan payments or the acceptance of smaller payments than were previously scheduled to prevent a borrower from defaulting. Lenders and lender servicers have the authority to grant forbearance in six-month increments up to a maximum of three years. Periods of forbearance may be extended beyond three years with the approval of the Secretary. Any such period would be in addition to the 3-year period which lenders and lender servicers can grant. Any period of forbearance granted to a HEAL borrower shall not be included in the 25 year loan repayment period for loans made on or after 10/13/1992. Lenders and lender servicers **must** notify each borrower of the right to request forbearance; however, if the lender or lender servicer determines that the default of the borrower is inevitable and that forbearance would be ineffective in preventing default, the lender or lender servicer is not required to grant forbearance.

DEFERMENT

Repayment of principal and interest can be deferred, but interest continues to accrue during periods of:

- Full-time study at a HEAL school or at an institution of higher education eligible to participate in the student aid programs authorized under Title IV of the Higher Education Act.;
- Up to three years for full time active duty in the Armed Forces;
- Up to three years each for service in the Peace Corps, VISTA or the National Health Service Corps;
- Up to two years for certain fellowship and educational training programs;
- Up to four years for internship and residency training;
- Up to one year for graduates of schools of chiropractic;
- Up to three years for completion of an internship or residency training program in osteopathic general practice, family medicine, general internal medicine, preventive medicine, or general pediatrics and is practicing primary care; and/or
- Up to three years for providing health care services (beginning 02/01/1999) to Indians through any health program or facility funded in whole or part by the Indian Health Service for the benefit of Indians.

TOTAL AND PERMANENT DISABILITY

To be totally and permanently disabled the borrower must be unable to engage in any substantially gainful activity because of a medically determinable impairment that is expected to continue for a long and indefinite period of time or to result in death. A borrower should contact their lender or lender servicer to discuss their situation and obtain the necessary paperwork to submit an application for total and permanent disability.

DUE DILIGENCE

Lenders and lender servicers must:

- Contact the borrower every 6 months to notify him/her of the amount of the debt;
- Contact the borrower in writing 30-60 days before the commencement of the repayment period to establish the repayment terms;
- Contact both the borrower and any endorser at least 4 times at regular intervals during the first 120 days of any delinquency period.
- Notify national consumer credit reporting agencies regarding accounts overdue by more than 60 days; and
- Request pre-claim assistance from the HEAL Program when the borrower is 90 days delinquent. (HEAL pre-claim assistance consists of three progressively stronger letters urging the borrower to contact his/her lender or lender servicer before the lender or lender servicer initiates litigation against the borrower.)

LITIGATION

Lenders and lender servicers are required to litigate defaulted loans and obtain a judgment against the borrower in most cases. Litigation is not required when the loan involved was made in an amount of less than \$5,000 prior to 11/04/1988 or the loan was made in an amount of less than \$2,500 on or after 11/04/1988 or if the defaulted claim is less than \$1,000. Schools may assist in the collection of delinquent HEAL loans. HEAL loans are exempted from any State or Federal Statute of Limitations provisions which limit the period within which a loan may be collected.

POST DEFAULT ACTIVITIES

Defaulted borrowers are subject to the following:

- Account referred to a collection agency;
- Referral to the Inspector General, DHHS and the Department of Justice (DOJ);
- Judgment registered in Federal court by DOJ for enforced collection;
- Exclusion from Medicare;
- IRS offset; and
- Name (if **not** entered into a settlement agreement) published in the *Federal Register* for use by organizations authorized by section 709(c)(1) of the Public Health Service Act.

Note: Until the U.S. Department of Education publishes the list of defaulted borrowers in the *Federal Register*, authorized organizations that need borrower information can obtain it by e-mailing HEAL@ed.gov.